

## Message Text

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70

ACTION EUR-25

INFO OCT-01 AF-10 ISO-00 NEA-10 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03

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SIL-01 INT-08 SCEM-02 SCI-06 DRC-01 /212 W

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R 141616Z JAN 74

FM AMEMBASSY ROME

TO SECSTATE WASHDC 2695

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY THE HAGUE

USINT ALGIERS

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY TEHRAN

AMEMBASSY TEL AVIV

AMEMBASSY TRIPOLI

USMISSION OECD PARIS

USMISSION EC BRUSSELS

UNCLAS ROME 0554

E.O. 11652 N/A

TAGS: ENRG, PFOR, XF, IT

SUBJ: ROME PRESS CONFERENCE OF YAMANI, ABDESSALAM

REF: ROME 0276

1. /BEGIN SUMMARY/. UPON CONCLUSION THEIR TWO DAY VISIT TO ITALY (SEPTEL), ARAB OIL EMISSARIES YAMANI AND ABDESSALAM HELD A WIDE-UNCLASSIFIED

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RANGING PRESS CONFERENCE JANUARY 12. YAMANI RESPONDED TO

QUESTIONS REGARDING OAPEC EMBARGO, RILE OF INTERNATIONAL COMPANIES IN WORLD OIL PICTURE, US CALL FOR ENERGY CONFERENCE, RECENT TEHRAN ROUND OF PRICE INCREASES AND IMPLICATIONS FOR INTERNATIONAL PAYMENTS SYSTEM. ABDESSALAM'S REMARKS LARGELY POLITICAL, CENTERING ON SUBJECTS RELATING TO PALESTINIAN QUESTION, INTERPRETATIONS OF UN SECURITY COUNCIL RESOLUTION 242. /END SUMMARY/.

2. DESCRIBING RESULTS OF TALKS WITH ITALIANS, YAMANI SAID HE HAD RECEIVED GUARANTEES AND ASSURANCES OF FAIR POLICY OF ITALY REGARDING PROBLEM OF OCCUPATION OF ARAB TERRITORIES AND ARAB PEACE REQUESTS; WHEN THAT POLICY IS MADE PUBLIC, IT WILL WITHOUT DOUBT HAVE REPERCUSSIONS UPON ATTITUDES AND MEASURES TAKEN BY ARAB COUNTRIES. YAMANI EXPRESSED OPTIMISM THAT ITALY'S SHORT AND LONG TERM OIL SUPPLY SITUATION WOULD BE IMPROVED.

3. ON ROLE OF INTERNATIONAL COMPANIES AND QUESTION OF DIRECT RELATIONS BETWEEN PRODUCER AND CONSUMER GOVERNMENTS, YAMANI STATED THAT COMPANIES HAVE LOST MUCH GROUND IN UPSTREAM PRODUCTION, BUT STILL VERY STRONG DOWNSTREAM IN TRANSPORT, REFINING AND MARKETING OPERATIONS IN CONSUMING COUNTRIES. ALTHOUGH THEIR OVERALL ROLE PROGRESSIVELY DIMINISHING, CANNOT BE ELIMINATED FROM ONE DAY TO ANOTHER. REGARDING POSSIBILITY OF PAYMENT FOR OIL IN INDUSTRIAL GOODS AS OPPOSED TO DOLLARS, YAMANI RESPONDED THAT SUCH IS ARAB'S DREAM. HE NOTED, HOWEVER, THAT BEFORE MACHINERY CAN BE ABSORBED, EXTENSIVE TECHNICAL PLANNING AND FEASIBILITY STUDIES REQUIRED.

4. IN RESPONSE TO QUESTION REGARDING RECENT PRESS REPORTS FROM KUWAIT OF BLACKLISTING OF COUNTRIES ATTENDING UPCOMING WASHINGTON ENERGY CONFERENCE, YAMANI STATED THAT PRODUCERS DO NOT WANT TO INTERFERE IN INTERNAL AFFAIRS OF CONSUMING COUNTRIES, BUT DO NOT WANT CONFERENCE TO BECOME OCCASION FOR FORMATION OF A BLOC WHICH WOULD INEVITABLY CLASH WITH OPEC. ABDESSALAM WAS MORE EXPLICIT, COMMENTING THAT IT SEEMED CONTRADICTIONARY FOR EUROPE TO LEND ITSELF TO A MANEUVER AIMED ONLY AT RESOLVING AMERICAN PROBLEMS AND STRENGTHENING DOMINATION OF INTERNATIONAL COMPANIES . . . "THE CONFERENCE IS DESTINED TO CREATE PROBLEMS."

5. YAMANI, COMMENTING ON EFFECTIVENESS OF OAPEC EMBARGO, STATED THAT CRUDE REACHING HOLLAND IS COMING FROM NON-ARAB SOURCES AND SHIFTING BY INTERNATIONAL COMPANIES TO DETRIMENT OF ITALIANS AND UNCLASSIFIED

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OTHER CONSUMERS. YAMANI ADDED, REGARDING US, THAT NOT A DROP OF PERSIAN GULF OIL IS GOING EITHER DIRECTLY OR INDIRECTLY VIA OFFSHORE REFINERIES TO US MARKET.

6. YAMANI ACKNOWLEDGED SAUDIS VIEW THAT RECENT TEHRAN PRICE INCREASES WERE HIGHER THAN THEY HAD WISHED, ALTHOUGH MARKET FORCES WOULD HAVE JUSTIFIED EVEN HIGHER PRICES. TURNING TO MONETARY CONSEQUENCES OF NEW PRICES, YAMANI STATED THERE ARE

THREE POSSIBILITIES: A) REDUCE CRUDE PRODUCTION AND THUS DOLLAR INFLOWS, ADMITTEDLY DOING GREAT HARM TO WORLD ECONOMY; B) INCREASE PRODUCTION WITH CONSEQUENT FOREIGN EXCHANGE SURPLUS WHOSE FLOW INTO INTERNATIONAL CAPITAL MARKET WILL CAUSE SERIOUS MONETARY TENSION OR; (C) THE MOST DESIRABLE ALTERNATIVE, I.E., USE SURPLUS RECEIPTS TO PURCHASE TECHNOLOGY AND EQUIPMENT FROM INDUSTRIALIZED COUNTRIES, REDUCING THE LATTER'S FOREIGN EXCHANGE DEFICITS WITHOUT UPSETTING INTERNATIONAL CAPITAL MARKETS.

7. WHEN ASKED TO ATTRIBUTE RESPONSIBILITY FOR PRESENT US ENERGY PROBLEMS, YAMANI RESPONDED THAT THE BLAME CANNOT BE PLACED ULTIMATELY ON ANY ONE GROUP. GOVERNMENT, COMANIES AND ULTIMATELY CONSUMERS, WHO CONTINUALLY PRESSURED FOR LOW PRICES, ALL BEAR SOME RESPONSIBILITY. YAMANI SINGLED OUT FOR CRITICISM FAILURE DURING THE 1960'S TO BUILD MORE REFINERIES AND BEGIN CONSTRUCTION OF DEEP WATER PORTS. VOLPE

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## Message Attributes

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**TAGS:** ENRG, PFOR, XF, IT, OPEC, (YAMANI, AHMAD ZAKI), (ABDESSALAM)  
**To:** STATE  
**Type:** TE  
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